

## Message Text

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70

ACTION OPIC-06

INFO OCT-01 ARA-06 ISO-00 EB-07 /020 W

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R 191845Z AUG 75

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 7831

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PASS OPIC

E.O. 11652: N/A

TAGS: EINV, GT

SUBJECT: OPIC PROJECTS IN GUATEMALA

REF: STATE 186125

1. REF MESSAGE ON MOORMAN AND DUFFY VISIT FIRST INDI-\$4  
CATION EMBASSY HAS HAD OF THREE OF THE FOUR PROJECTS  
THEY ARE COMING DOWN TO LOOK INTO. WILL DEVELOP NECESSARY  
INFORMATION WHEN THEY ARRIVE AUGUST 19.

2. IN INTERIM, ANOTHER CASE HAS COME UP ABOUT WHICH  
EMBASSY NOT PREVIOUSLY INFORMED -- INVOLVING CHAPAS, S.A.,  
PRODUCER OF HARDWOOD VENEER IN PUERTO BARRIOS, SUBSIDIARY  
OF VENEERS INC., COCKEYS FIELD, MARYLAND. RICHARD B.  
WILLIAMSON, GENERAL MANAGER, CHAPAS, VISITED EMBASSY  
RECENTLY WITH DOUGLAS S. THROPP JR., PRESIDENT, ADAMS  
ASSOCIATES S.A., BALTIMORE (REALTORS, BROKERS AND FINANCE  
PACKAGERS). CHAPAS WANTS TO EXPAND AND DIVERSIFY PRODUC-  
TION AND BROADEN SALES. AT PRESENT PRODUCES EXCLUSIVELY  
FOR EXPORT TO THE U.S. THEY SEE A GOOD MARKET FOR PANELING  
AS WELL AS VENEER IN GUATEMALA AND ALSO ELSEWHERE IN MECAP  
(MEXICO, CACM, PANAMA) AND LA. INTERESTED IN PARTICULAR IN  
MEXICO, WHICH AT PRESENT SAID TO BUY ANNUALLY \$4.2  
MILLION IN VENEER FROM US AND GERMANY; CHAPAS THINKS IT  
CAN TAKE OVER MUCH OF THAT REQUIREMENT, THOUGH THIS WOULD  
MEAN A 3 TO 4-FOLD INCREASE IN ITS PRODUCTION. (COMMENT:  
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MEXICAN MARKET BY NO MEANS ASSURED GIVEN THAT COUNTRY'S

STAGGERING TRADE DEFICIT.)

3. CHAPAS AT PRESENT HAS BORROWED UP TO NEAR MAXIMUM JUDICIOUS LEVEL. WISHES TO EXPAND CAPITALIZATION FOR INVESTMENT IN NEW PRODUCTION UNITS. ACCORDING TO THROPP, VENTURE CAPITAL IN US NO LONGER WHAT IT WAS FIVE YEARS AGO; IN ORDER FOR AN INCOME-TYPE OPERATION SUCH AS CONTEMPLATED BY CHAPAS (RATHER THAN A SHORT-TERM CAPITAL-GAINS OPERATION) TO ATTRACT VENTURE CAPITAL, HE SAID OPIC INSURANCE WILL BE ESSENTIAL.

4. THROPP INDICATED HE HAD VISITED OPIC AND BEEN TOLD NOT TO COUNT ON GETTING OPIC INSURANCE ON AN UNDERTAKING IN GUATEMALA. HE AND WILLIAMSON HAD CALLED ON EMBASSY IN EFFORT TO DETERMINE WHAT CHANCES MIGHT BE OF GOG APPROVING OPIC INSURANCE. THEY ACKNOWLEDGED THAT OPIC FACILITIES COULD NOT BE USED TO PROMOTE EXPANSION OF EXISTING PLANT BUT RATHER ONLY FOR ESTABLISHMENT SEPARATE NEW UNITS SUCH AS MIGHT BE NECESSARY RE PLANS FOR LOGGING SUBSIDIARY, A FACING OPERATION, AND/OR PRODUCTION OF PANELING.

5. WILLIAMSON REVEALED THAT CHAPAS HAD PREVIOUSLY TRIED TO GET OPIC INSURANCE FOR ORIGINAL INVESTMENT BUT HAD BEEN TURNED DOWN ON THE GROUNDS THAT NO OPIC INSURANCE WAS PROVIDED PROJECTS UNLESS THE PROJECT WOULDN'T BE COMPLETED WITHOUT IT. THAT WASN'T THE CASE BEFORE BUT IS WITH RESPECT TO CURRENT EXPANSION PLANS. SOME ASSURANCE ON INSURANCE NEEDED IMMEDIATELY IN ORDER TO PROCEED TO PUT TOGETHER FINANCE PACKAGE IN U.S. COMPANY COULD NOT WAIT INDEFINITELY FOR GOG ACTION OR NON-ACTION; REALISTICALLY COULD NOT WAIT BEYOND 60-90 DAYS.

6. EMBASSY OFFICER EXPLAINED POSITION OF GOG BUT WENT ON TO SUGGEST THAT THERE HAD BEEN NO RECENT TEST CASE AND IN RESPECT TO RELATIVELY SMALL PROJECT SUCH AS CONTEMPLATED (AROUND \$1 MILLION), GOG MIGHT BE WILLING TO CONSIDER MATTER ON MERITS. IN SUBSEQUENT SEPARATE CONVERSATION WITH FINANCE MINISTER, EMBASSY OFFICER INFORMED THAT APPLICATION MIGHT BE SUBMITTED AND WOULD INDEED BE CONSIDERED ON MERITS BUT POSITION OF OTHER MINISTRIES WOULD HAVE TO BE LIMITED OFFICIAL USE

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TAKEN INTO ACCOUNT AND FINAL DECISION WOULD BE "UP TO PRESIDENT" OF GUATEMALA.

7. EMBASSY REQUEST REPORT ON CHAPAS/VENEERS INC./ADAMS ASSOCIATES APPROACH TO OPIC ON INSURANCE; ALSO OPIC'S EVALUATION OF ACCEPTABILITY OF POSSIBLE APPLICATION FOR INSURANCE BY CHAPAS AND INDICATION OF OPIC INTEREST IN LETTING THIS CASE GO FORWARD TO GOG AS TEST CASE.

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## Message Attributes

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**Disposition Approved on Date:**  
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